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# Investors Say Bankrupt Firm

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Angry investors who lost millions of dollars in a Hawaiian investment firm now in bankruptcy have charged in lawsuits that the CIA helped finance and operate the firm to conduct intelligence operations in the Far East.

Ronald R. Rewald, a free-spending businessman who headed the company, presided over its bankruptcy and later tried to commit suicide, has been charged by the Securities and Exchange Commission with securities fraud and by Honolulu authorities with stealing the money of at least two investors. Others who put money into the firm included senior military officers and two former CIA station chiefs in Hawaii.

Rewald, in a suit filed against the CIA in February, said he was "a covert agent of the CIA." He said in court papers that he established the firm at the agency's direction and that some of its subsidiaries were "used completely and exclusively for CIA covert operations."

CIA spokesman Dale Peterson said the agency had only "a slight involvement" with the Honolulu firm, which is called Bishop, Baldwin, Rewald, Dillingham and Wong. "But I'm not at liberty to go into details of what the relationship was," Peterson said. "We deny any allegations that suggest we had anything to do with running the company."

Some Hawaiian officials have questioned whether Rewald is exaggerating his CIA connections in an effort to escape potential liability for the firm's bankruptcy, in which at least \$12 million of investors' money has been lost. Some of the 400 investors, who also included relatives of company officers, apparently knew little or nothing of CIA ties. But more than a dozen investors, who were attracted by promises of a 20 percent return on their money, have joined in two damage suits against the CIA.

The British Broadcasting Corp. reported recently that it had obtained Bishop, Baldwin company documents indicating that it was a CIA "front" used to gather intelligence on the flow of foreign capital, to arrange attempted arms sales to Taiwan, to obtain plans for a Japanese high-speed train and to cultivate diplomats and businessmen in the Philippines and the Far East.

The saga of Bishop, Baldwin began in 1977 when Rewald, following a minor criminal conviction and the bankruptcy of a sporting-goods concern in Milwaukee, moved to Hawaii to open the financial consulting firm. No one noticed at the time that three of the partners—Bishop, Baldwin and Dillingham—did not exist. They were the names of old-line Hawaiian families.

## Had CIA Tie

Rewald also brandished a phony law degree from Marquette University, according to his attorney, Robert A. Smith. The BBC reported that the degree was supplied by the CIA.

Rewald, 41, began spending \$250,000 a month on his lavish lifestyle in Honolulu. He ran the Hawaii Polo Club and played host to visiting dignitaries attracted by the club.

According to reports by bankruptcy trustees, Rewald spent \$250,000 on a fleet of cars, including three Cadillacs, two Mercedes-Benzes, a Rolls-Royce and a Jaguar, \$66,000 on boats, \$82,000 on jewelry and art, \$154,000 on travel, \$102,000 on

relatives, \$225,000 on household help, including tutors, and \$541,000 on horses and other polo club expenses.

It all fell apart last July, when Hawaii reporters uncovered some of the bogus credentials of Rewald's firm. Some investors demanded their money back. Days later, Rewald slit his wrists and lost several pints of blood before he was found in a room at the Sheraton Waikiki hotel.

The following month, Rewald was arrested on minor theft charges and held in Honolulu on a record-\$10 million bond. A judge later reduced that to \$140,000, and Rewald was released pending trial. The FBI and a federal grand jury also began investigations.

The first hint of CIA involvement came at a bankruptcy hearing in September, when it was disclosed that the CIA had paid \$2,700 in phone bills for several firms operating out of Bishop, Baldwin's offices. CIA lawyers also persuaded U.S. District Court Judge Martin Pence to seal several boxes of company files, contending that the material was related to national security.

Nevertheless, CIA attorney Robert Laprade said in an affidavit, "The CIA did not cause Bishop, Baldwin, Rewald, Dillingham and Wong to be created, nor has the agency at any time owned, operated, controlled or invested in Bishop, Baldwin . . . . The CIA was not aware of, and has absolutely nothing to do with, Ronald Rewald's alleged appropriation to himself of the funds of [the company] or its investors."

Pence ruled that "Rewald, through contacts with members and former members of the CIA, considered himself a more important undisclosed private associate of the CIA organization than he was in fact."

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